

Groupon, Inc.
Form 10-Q
April 29, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 1-35335

Groupon, Inc.
(Exact name of registrant as specified in its charter)
Delaware 27-0903295
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

600 West Chicago Avenue, Suite 400 60654
Chicago, Illinois
(Address of principal executive offices) (Zip Code)

312-334-1579
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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As of April 26, 2016, there were 577,617,876 shares of the registrant's Class A Common Stock outstanding and 2,399,976 shares of the registrant's Class B Common Stock outstanding.

TABLE OF CONTENTS

PART I. Financial Information	Page
Forward-Looking Statements	<u>3</u>
Item 1. Financial Statements and Supplementary Data	<u>4</u>
Condensed Consolidated Balance Sheets as of March 31, 2016 (unaudited) and December 31, 2015	<u>4</u>
Condensed Consolidated Statements of Operations for the three months ended March 31, 2016 and 2015 (unaudited)	<u>5</u>
Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2016 and 2015 (unaudited)	<u>6</u>
Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2016 (unaudited)	<u>7</u>
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015 (unaudited)	<u>8</u>
Notes to Condensed Consolidated Financial Statements (unaudited)	<u>9</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>31</u>
Item 3. Quantitative and Qualitative Disclosure about Market Risk	<u>59</u>
Item 4. Controls and Procedures	<u>60</u>
PART II. Other Information	
Item 1. Legal Proceedings	<u>61</u>
Item 1A. Risk Factors	<u>61</u>
Item 2. Unregistered sales of equity securities and use of proceeds	<u>62</u>
Item 5. Other Information	<u>63</u>
Item 6. Exhibits	<u>63</u>
Signatures	<u>64</u>
Exhibits	<u>65</u>

PART I

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations. The words "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue" and other similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in our revenue and operating results; risks related to our business strategy, including our strategy to grow our local marketplaces, marketing strategy and spend and the productivity of those marketing investments and the impact of our shift away from lower-margin products in our Goods category; effectively dealing with challenges arising from our international operations, including fluctuations in currency exchange rates; retaining existing customers and adding new customers, including as we increase our marketing spend and shift away from lower-margin products in our Goods category; retaining and adding high quality merchants; cyber security breaches; incurring expenses as we expand our business; competing successfully in our industry; maintaining favorable payment terms with our business partners; providing a strong mobile experience for our customers; delivery and routing of our emails; product liability claims; managing inventory and order fulfillment risks; integrating our technology platforms; litigation; managing refund risks; retaining, attracting and integrating members of our executive team; difficulties, delays or our inability to successfully complete all or part of the announced restructuring actions or to realize the operating efficiencies and other benefits of such restructuring actions; higher than anticipated restructuring charges or changes in the timing of such restructuring charges; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; tax liabilities; tax legislation; compliance with domestic and foreign laws and regulations, including the CARD Act and regulation of the Internet and e-commerce; classification of our independent contractors; maintaining our information technology infrastructure; protecting our intellectual property; maintaining a strong brand; seasonality; customer and merchant fraud; payment-related risks; our ability to raise capital if necessary and our outstanding indebtedness; global economic uncertainty; the impact of our ongoing strategic review and any potential strategic alternatives we may choose to pursue; our senior convertible notes; our ability to complete and realize the anticipated benefits from the hedge and warrant transactions; and those risks and other factors discussed in Part I, "Item 1A: Risk Factors" of our 2015 Annual Report on Form 10-K for the year ended December 31, 2015, and Part II, "Item 1A: Risk Factors" of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Groupon," "we," "our," and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.

ITEM 1. FINANCIAL STATEMENTS

GROUPON, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share amounts)

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$688,512	\$853,362
Accounts receivable, net	73,471	68,175
Prepaid expenses and other current assets	134,831	153,705
Total current assets	896,814	1,075,242
Property, equipment and software, net	193,036	198,897
Goodwill	291,747	287,332
Intangible assets, net	32,769	36,483
Investments (including \$162.5 million and \$163.7 million at March 31, 2016 and December 31, 2015, respectively, at fair value)	177,553	178,236
Deferred income taxes	4,254	3,454
Other non-current assets	22,507	16,620
Total Assets	\$1,618,680	\$1,796,264
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$21,970	\$24,590
Accrued merchant and supplier payables	674,153	776,211
Accrued expenses and other current liabilities	406,578	402,724
Total current liabilities	1,102,701	1,203,525
Deferred income taxes	6,937	8,612
Other non-current liabilities	123,371	113,540
Total Liabilities	1,233,009	1,325,677
Commitments and contingencies (see Note 7)		
Stockholders' Equity		
Class A common stock, par value \$0.0001 per share, 2,000,000,000 shares authorized, 720,766,970 shares issued and 573,478,805 shares outstanding at March 31, 2016 and 717,387,446 shares issued and 588,919,281 shares outstanding at December 31, 2015	72	72
Class B common stock, par value \$0.0001 per share, 10,000,000 shares authorized, 2,399,976 shares issued and outstanding at March 31, 2016 and December 31, 2015	—	—
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized, no shares issued and outstanding at March 31, 2016 and December 31, 2015	—	—
Additional paid-in capital	1,997,930	1,964,453
Treasury stock, at cost, 147,288,165 shares at March 31, 2016 and 128,468,165 shares at December 31, 2015	(708,490)	(645,041)
Accumulated deficit	(953,542)	(901,292)
Accumulated other comprehensive income (loss)	48,354	51,206
Total Groupon, Inc. Stockholders' Equity	384,324	469,398
Noncontrolling interests	1,347	1,189
Total Equity	385,671	470,587
Total Liabilities and Equity	\$1,618,680	\$1,796,264

See Notes to Condensed Consolidated Financial Statements.

GROUPON, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except share and per share amounts)
 (unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenue:		
Third party and other	\$334,568	\$360,121
Direct	397,403	390,235
Total revenue	731,971	750,356
Cost of revenue:		
Third party and other	46,781	51,697
Direct	345,862	351,253
Total cost of revenue	392,643	402,950
Gross profit	339,328	347,406
Operating expenses:		
Marketing	89,765	52,533
Selling, general and administrative	280,988	289,847
Restructuring charges	12,444	—
Acquisition-related expense (benefit), net	3,464	(269)
Total operating expenses	386,661	342,111
Income (loss) from operations	(47,333)	5,295
Other income (expense), net	3,486	(19,927)
Income (loss) from continuing operations before provision (benefit) for income taxes	(43,847)	(14,632)
Provision (benefit) for income taxes	1,749	2,107
Income (loss) from continuing operations	(45,596)	(16,739)
Income (loss) from discontinued operations, net of tax	—	6,284
Net income (loss)	(45,596)	(10,455)
Net income attributable to noncontrolling interests	(3,523)	(3,818)
Net income (loss) attributable to Groupon, Inc.	\$(49,119)	\$(14,273)